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THE PRICE SITUATION

A radio talk by O. C. Stine, Bureau of Agricultural Economics, delivered through WRC and 40 other radio stations associated with the National Broadcasting Company, April 16, 1931.

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Farm prices averaged higher early in March than in February but have declined moderately since the middle of March. The prices of all commodities have continued to decline but rather slowly in the past few weeks. The prices of many of the commodities that farmers buy have also been declining, but slowly. The average exchange value per unit of farm products for the commodities that farmers buy is now only about two-thirds of what it was before the war.

The demand for some farm products appears to be improving with improvement in the business situation. The improvement in business activity that developed in February continued into March but appears to have been checked to some extent in the early part of April. The recent declines in the prices of many commodities indicates that the revival of business and consumer purchasing power from the recent low levels is likely to be irregular, and farmers should not expect in the immediate future any marked advance in the demand for farm products.

Cash wheat prices in this country continue far above a world market export basis, but foreign demand appears to be improving. A mild winter leaves a very high percentage of the winter wheat acreage sown, in condition for producing a crop to be harvested. The light abandonment of winter wheat largely offsets the reported intentions of farmers to reduce spring wheat seedings, so that the total wheat area to be harvested this summer may be but little less than the area harvested a year ago. Crop conditions in Europe are reported to be uneven but fairly favorable except in France where another poor crop is in prospect. The supplies of old wheat remaining on hand in foreign countries as well as in the United States are still large enough to prevent any material rise in foreign markets unless unfavorable crop conditions should develop in important producing areas.

Corn prices have been held fairly close to wheat prices. In many states the price of corn is still higher than the price of wheat. Stocks of corn are low but the low prices of other grains, together with a probability of imports of corn from Argentina, tend to prevent any material advance in corn prices.

Hog prices have been held fairly steady in recent weeks after a short seasonal advance early in March. Usually hog marketings are increased in the spring, and if this takes place with no material improvement in either domestic or foreign demand for hog products, prices may continue near the present level during the next two months. Feed prices continue low enough in relation to hog prices to encourage feeding. Therefore, the hogs marketed are likely to continue heavier than usual, but the number to be slaughtered in May and June may be smaller than in the corresponding months of 1930.

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With cattle supplies during the next three months likely to be relatively small and present prices at a low level, it hardly seems probable that the prices of any grades of cattle will decline much further. The prices of better grades of steers usually decline during April and May, and the prices of low grade cattle rise. During the next few weeks the prices of both grades may be steadier than usual. During the next three months the supply of fed cattle is likely to be smaller than in the corresponding months of last year, but there is likely to be a large supply of grass fat cattle from Texas. Present indications are that marketings of fed cattle in July and August may be light, and relatively heavier in the fall months.

Butter prices are low on account of heavy production and the weak purchasing power of consumers. With present prices at a low level and with the possibility of some improvement in business activity, consumption is likely to increase. Butter prices usually decline from March to June but in the present season that decline may be less than usual, even if production continues somewhat above a year ago.

Both production and consumption of cheese have been less than usual and prices have remained fairly steady at a low level. Usually cheese prices also decline from March to June or July but that decline in the present season may be only moderate.

Egg prices are not likely to show any pronounced change during the next few weeks. The market receipts of eggs are running lighter than a year ago, but the storage demand is weak and a larger share of the receipts is being offered to consumers.

Farm prices of chickens rose during March. With storage stocks low and the receipts of poultry diminishing, prices are likely to continue their seasonal rise. It is interesting to note that a very large part of the present cold storage holdings consists of hens, indicating that producers have been marketing in recent months a large number of their layers.

Lamb prices have improved to some extent. The supply of fed lambs is large but less than that of a year ago. Spring lambs are now becoming an important factor in the market. In the Southeast weather conditions have slowed up the development of the lambs for market, but in the North Pacific States and Idaho conditions have been unusually favorable for spring lambs. A heavy movement of spring lambs from the Northwest is to be expected in June.

A material improvement in wool prices in foreign markets is a marked feature of the turn in the business situation. Consumption of wool in the United States is increasing. Market conditions in the United States have improved. As yet, however, there have been but slight advances in the prices of wool in the Boston market.

Turning to the South, I can not say much about cotton prices except to note that prices are still above the low level reached in December. The consumption of cotton in the United States continues to increase. The stocks of cotton goods have fallen to a low level. Exports are increasing and textile mill activity in some foreign countries is improving. If you would like some figures you may note that the consumption of raw cotton in the United States in March was 491,000 bales, or 57,000 bales above February and nearly as large as in March a year ago. The exports of cotton in March amounted to 605,000 bales, nearly 50 per cent greater than in February and larger than in March 1930 or 1929

However, the supply of American cotton remaining in the United States on April 1, after subtracting consumption and exports from the estimated total supply, for the season, was about 9,500,000 bales, or 2,400,000 bales above that of a year ago.

The South has planted an increased acreage of early potatoes. The price of these early potatoes usually decline as the season progresses and the marketings increase. Recent advances in the prices of old potatoes probably will result in an average price for the month higher than the average for March; but it is not likely that May prices will average as high as April unless there is an unusual reduction in shipments of old crop potatoes, and these old potatoes will meet increasing competition from the new.

Rice prices in the South have held fairly stable on a low level, and not much change is to be expected in the next few weeks. Supplies of both rough and milled rice in the Southern belt are about the same as a year ago, and rice appears to be moving into consumption at a fairly good rate. In California rice prices have been held fairly steady in spite of the practical disappearance of foreign demand for California rice. Porto Rico and Hawaii have taken good quantities, but rice quotations in Tokyo continue to be too low to attract supplies from California.

